

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY  
AUDITED FINANCIAL STATEMENTS  
June 30, 2011

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY

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# JOE M. ENOCH & ASSOCIATES, PLLC

## Members

American Institute of Certified Public Accountants  
Tennessee Society of Certified Public Accountants  
Private Companies Practice Section

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Northwest Tennessee Regional Port Authority

We have audited the accompanying financial statements of Northwest Tennessee Regional Port Authority (the Port Authority), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Port Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

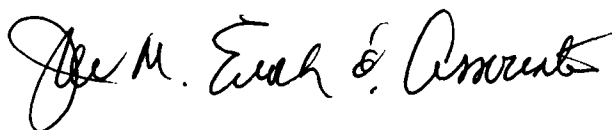
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port Authority as of June 30, 2011, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 7, 2011, on our consideration of the Port Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Dyersburg, Tennessee  
November 7, 2011



# **NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Fiscal Year 2011**

The Northwest Tennessee Regional Port Authority (NTRPA) is a regional public authority, chartered with the State of Tennessee by the counties of Lake, Dyer, and Obion. NTRPA is governed by an eight person board, consisting of (4) members appointed by the legislative bodies of Lake County, (2) members appointed by the legislative bodies of Dyer County, and (2) members appointed by legislative bodies of Obion County. Its purpose is to administrate the financial and developmental needs of the Cates Landing port and industrial park.

This discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of NTRPA's financial activity, (c) identify any financial concerns. The Management Discussion and Analysis (MD&A) focuses primarily on the business activities for the fiscal year ending June 30, 2011. A condensed format of the Statement of Net Assets as well as the Statement of Revenues, Expenses, and Changes in Net Assets is included in the MD&A for reference purposes. The MD&A should be read in conjunction with the full comprehensive NTRPA financial statements.

#### **Background**

Lake County, Dyer County, and Obion County lacked the necessary infrastructure to attract industry to their economically depressed areas. To create jobs in this region, county officials focused on the proximity of the Mississippi River. After years of strategic planning, the leaders proposed the development, construction, and operation of a port on the Mississippi River in Lake County. The port and industrial park are expected to be an economic development tool to attract business and industry to the three-county region. To that extent, the Northwest Tennessee Regional Port Authority was created. After site selection, a Master Plan and Engineering Study were completed, and land acquisitions for the harbor and port/industrial park were started. A small amount of private donations were used to initiate beginning operations for the NTRPA.

#### **Statement of Net Assets**

NTRPA has current assets of cash in the amount of \$69,742 and grant receivables of \$127,591. The cost of on-going engineering and legal work will be designated to specific capital assets upon completion of the projects and continues to be reflected in Construction in Progress. The current year Construction in Progress has increased due to the on-going engineering work. Current liabilities include \$127,591 in engineering services used during the month of June 2011 but not paid as of the end of the fiscal year. The accrued interest payable reflects the interest payment to be paid on the \$1.65 million bond issue by the Port Authority and guaranteed by the county governments of Lake and Dyer counties. Interest payments will be made by the counties and repaid by the Port Authority when it is operational and generating the appropriate revenues. NTRPA also paid off its loan from First Citizens National Bank which reduced the Notes Payable for the current year. The remaining balance of the Gibson EMC loan is listed in Notes Payable under Long-term Liabilities. The County Bond Interest and Loan re-pay has increased this year by the amount of bond interest that was due during the fiscal year and paid by Lake and Dyer counties and will later be re-paid by NTRPA.

Net assets represent the difference between assets and liabilities. The increase in Net Assets reflects the net income of the fiscal year. Net Assets contain the amount invested in Capital Assets minus the related debt, plus the amount of Restricted Net Assets, and plus the amount of Unrestricted Net Assets.

**Statement of Net Assets**  
June 30, 2011 (Condensed)

	<b><u>Assets</u></b>	<b>2011</b>	<b>2010</b>
<b><u>Current Assets</u></b>			
Cash in Bank		\$ 69,742	\$ 228,860
Grants Receivable		127,591	-
		<u>197,333</u>	<u>228,860</u>
<b><u>Capital Assets</u></b>			
Land		1,773,375	1,773,375
Construction in Progress		5,902,196	5,458,255
		<u>7,675,571</u>	<u>7,231,630</u>
<b><u>Other Assets</u></b>			
Unamortized Debt Expense		<u>2,700</u>	<u>6,300</u>
<b>Total Assets</b>		<b><u>\$ 7,875,604</u></b>	<b><u>\$ 7,466,790</u></b>
<b><u>Liabilities &amp; Net Assets</u></b>			
<b><u>Current Liabilities</u></b>			
Accounts Payable		\$ 127,591	\$ 2,500
Accrued Interest Payable		20,120	20,399
Bonds Payable - current		1,650,000	-
Notes Payable - current		51,250	177,051
		<u>1,848,961</u>	<u>199,950</u>
<b><u>Long-term Liabilities</u></b>			
Notes Payable		239,167	290,417
County Bond Interest & Loan re-pay		449,255	331,665
Bonds Payable		-	1,650,000
Less: Bond discount		(2,954)	(6,892)
		<u>685,468</u>	<u>2,265,190</u>
<b>Total Liabilities</b>		<b><u>2,534,429</u></b>	<b><u>2,465,140</u></b>
<b><u>Net Assets</u></b>			
Invested in Capital Assets, Net of Related Debt		5,291,553	4,795,689
Unrestricted Net Assets		49,622	205,961
		<u>5,341,175</u>	<u>5,001,650</u>
<b>Total Liabilities &amp; Net Assets</b>		<b><u>\$ 7,875,604</u></b>	<b><u>\$ 7,466,790</u></b>

**Statement of Revenues, Expenses, and Changes in Net Assets**

NTRPA currently operates without producing Operating Revenue. Operational expenses continue to be limited to insurance, professional administrative assistance, and association membership dues. Grant revenue consists of funds from state and federal grants that were issued to the NTRPA. In fiscal 2011, NTRPA received developmental grants totaling \$192,499 from the State of Tennessee and \$146,551. The \$12,500 for Farm land leased reflects the payment made for land owned by NTRPA and continued to be leased

back for farm operations at this time. NTRPA had an increase of \$339,525 in Net Assets for the year.

# **STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

June 30, 2011 (Condensed)

	<b>2011</b>	<b>2010</b>
<b><u>Operating Revenue</u></b>		
Operating Income	\$ -	\$ -
Total Operating Revenue	<u>-</u>	<u>-</u>
<b><u>Operating Expenses</u></b>		
Operating Expenses	\$ 23,530	\$ 47,684
Total Operating Expenses	<u>23,530</u>	<u>47,684</u>
<b><u>Nonoperating Revenue and (Expenses)</u></b>		
Grant Revenue	339,050	157,501
Contributed funds	10,000	555,000
Farm land lease	12,500	15,614
Interest earned on deposits	1,505	3,152
Total Nonoperating Revenue	<u>363,055</u>	<u>731,267</u>
<b>Increase (Decrease) in Net Assets</b>	339,525	683,583
<b>Net Assets - Beginning</b>	<u>5,001,650</u>	<u>4,318,067</u>
<b>Net Assets - Ending</b>	<u>\$ 5,341,175</u>	<u>\$ 5,001,650</u>

## **Financial and Operational Highlights**

In October 2010 NTRPA was approved for a TIGER II grant from the Federal government for \$13 million to help complete the project and bring it into operation. In addition, NTRPA was awarded a \$7 million grant from the State of Tennessee. NTRPA was approved for additional grants from the State of Tennessee Department of Transportation. Dyer, Lake and Obion counties continued to share in the cost of an operational loan from Gibson EMC and Dyer and Lake Counties also made interest payments on the \$1.65 million bond issue. John Lannom (Legal representative for the NTRPA) also continued to provide his firms legal work almost completely on a "pro bono" basis.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY  
STATEMENT OF NET ASSETS  
June 30, 2011

ASSETS

<u>Current Assets</u>		
Cash in bank	\$ 69,742	
Grant receivable	127,591	
Total Current Assets		\$ 197,333
<u>Capital Assets</u>		
Land	1,773,375	
Construction in progress	5,902,196	
Net capital assets		7,675,571
<u>Other Assets</u>		
Unamortized debt expense		2,700
TOTAL ASSETS		<u>\$ 7,875,604</u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities</u>		
Accounts payable	\$ 127,591	
Accrued interest payable	20,120	
Bonds payable - current	1,650,000	
Notes payable - current	51,250	
Total Current Liabilities		\$ 1,848,961
<u>Long-term Liabilities</u>		
Notes payable	239,167	
Due to county governments	449,255	
Less: Bond discount	(2,954)	
Total Long-term Liabilities		685,468
TOTAL LIABILITIES		<u>2,534,429</u>
<u>Net Assets</u>		
Invested in Capital Assets, Net of Related Debt		5,291,553
Unrestricted Net Assets		49,622
TOTAL NET ASSETS		<u>5,341,175</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 7,875,604</u>

See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
For the Year Ending June 30, 2011

<u>Operating Expenses</u>	
General insurance	\$ 10,000
Supplies	664
Miscellaneous expenses	39
Professional Services	5,289
Amortization expense	7,538
Total Operating Expenses	<u>23,530</u>
Net Operating Income (Loss)	<u>(23,530)</u>
<u>Nonoperating Revenue</u>	
State grant funds	192,499
Federal grant funds	146,551
Contributed funds - Other	10,000
Farm land lease	12,500
Interest earned on deposits	1,505
Total Nonoperating Revenue	<u>363,055</u>
Increase (Decrease) in Net Assets	339,525
Net Assets - Beginning	<u>5,001,650</u>
Net Assets - Ending	<u><u>\$ 5,341,175</u></u>

See accompanying notes and accountant's report.



NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY  
STATEMENT OF CASH FLOWS  
For the Year Ending June 30, 2011

Cash Flows From Operating Activities

Payments to suppliers	\$ (18,492)
Net cash provided (used) by operating activities	<u>(18,492)</u>

Cash Flows From Capital and Related Financing Activities

Purchases of capital assets	(316,629)
Receipts from county governments	117,590
Principal payment on debt	(177,051)
Grants received	211,459
Other contributions and revenue	22,500
Net cash provided (used) by capital and related financing activities	<u>(142,131)</u>

Cash Flows From Investing Activities

Interest received on deposits	1,505
Net cash provided (used) by investing activities	<u>1,505</u>

Net increase (decrease) in cash and cash equivalents (159,118)

Balances - beginning of year 228,860

Balances - end of the year \$ 69,742

Reconciliation of Operating Income (Loss) to Net Cash

Provided (Used) by Operating Activities

Operating income (loss)	\$ (23,530)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Amortization expense	7,538
Changes in assets and liabilities:	
Accounts payable	(2,500)
Net cash provided (used) by operating activities	<u><u>\$ (18,492)</u></u>

Noncash investing, capital and financing activities:

Capitalized interest, accrued	<u><u>\$ 20,120</u></u>
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See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note A - Significant Accounting Policies

Reporting Entity

The Northwest Tennessee Regional Port Authority (the Port Authority) was organized as a joint venture by the duly elected and constituted Legislative Bodies of Lake, Dyer and Obion Counties to construct and operate the port and harbor facilities at Cates Landing in northern Lake County. The Port Authority is a single entity and not a component of any other governmental unit. The Executive Officer of each county appoints its representatives to serve on the Port Authority's Board of Commissioners. The Board of Commissioners is made up of four representatives from Lake County and two each from Dyer and Obion County. The Board is responsible for the operation and management of the Port Authority and serves as the Industrial Board. There are no other agencies or entities under the authority of the Board.

Basis of Accounting

The Port Authority maintains its books and records on a full accrual basis. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when they are incurred. The Port Authority's operations are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Port Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services with the Port Authority's principal ongoing operations. During the year ending June 30, 2011 the Port Authority was arranging for the financing of the project, gathering information on the feasibility and construction of the facilities and acquiring land. When the Port Authority is operational the principal operating revenues will be generated through user fees and lease agreements. Operating expenses will include administrative expenses, insurance and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Port Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Although the Port Authority has the option to apply FASB pronouncements issued after that date, it has chosen not to do so.

Cash and Cash Equivalents

The Port Authority considers all temporary cash investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

State statutes authorize the Port Authority to invest in certificates of deposit at state and federal chartered banks, obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2011

Note A - Significant Accounting Policies (Continued)

Capital Assets

The Port Authority is currently in the early stages of organization which consists principally of the construction of the harbor. As capital assets are placed in service the Port Authority will depreciate the assets on the straight-line basis over the estimated useful life of the asset acquired. The assets are categorized as follows:

<u>Asset</u>	<u>Depreciable Life</u>
Office Furniture and Fixtures	10
Buildings	40
Equipment and Tools	10
Transportation Equipment	5

Construction period interest, if applicable, is capitalized into the cost of appropriate fixed assets and then shown as a part of the carrying value of the capital assets. During the year ended June 30, 2011, the Port Authority incurred \$64,542 in construction period interest.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use. If restricted and unrestricted assets are available for the same purpose, then restricted assets will be used before unrestricted assets.

Events Occurring After Reporting Date

The Port Authority has evaluated events and transactions that occurred between June 30, 2011 and November 7, 2011, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2011

Note B – Economic Dependency

The Northwest Tennessee Regional Port Authority was organized to construct and operate the port and harbor facilities at Cates Landing in northern Lake County, Tennessee. The entity has relied on grants and other governmental contributions to provide the funds necessary to acquire land and perform preliminary activities for the construction of the project. The Port Authority expects the State of Tennessee to guarantee the debt financing.

The facility's future success will depend on its ability to attract industry to its neighboring industrial park and the services provided to river traffic in northern Lake County, Tennessee.

Note C - Insured Deposits

The Port Authority is mandated by law to require that the financial institutions in which it maintains deposits to pledge securities to insure deposits over \$250,000. At June 30, 2011 the Port Authority's carrying amount of deposits was \$69,742 and the bank balance was \$69,742. Of the bank balance, the total amount of \$69,742 was covered by federal depository insurance. The Port Authority has its bank accounts with a member of the State of Tennessee bank collateral pool to protect itself if its bank accounts exceed the FDIC limits.

Note D - Risk Management

The Port Authority manages the various types of risk through the use of commercial insurance. The Port Authority insures against the risk of loss of property and misappropriation of funds. There were no settlements in excess of insurance coverage in any of the past three years.

Note E - Net Working Capital

The net working capital of the Port Authority was a negative \$1,651,628 at June 30, 2011.

Note F - Schedule of Utility Plant

The following is a schedule of Northwest Tennessee Regional Port Authority's capital assets at June 30, 2011.

	Balance 6/30/10	Increases	Decreases	Balance 1/0/00
Capital assets, not being depreciated				
Land and land rights	\$ 1,773,375	\$ -	\$ -	\$ 1,773,375
Construction in progress	5,458,255	443,941		5,902,196
Total assets, not being depreciated	<u>7,231,630</u>	<u>443,941</u>	<u>-</u>	<u>7,675,571</u>
Total capital assets, net	<u>\$ 7,231,630</u>	<u>\$ 443,941</u>	<u>\$ -</u>	<u>\$ 7,675,571</u>

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2011

Note G – Long-Term Debt

During the year ending June 30, 2007 the Board of Commissioners authorized the issuance of the Port Authority Revenue and Tax Notes, Series 2007 for \$2,200,000. The bonds are for the purpose of land acquisition and capital improvements of the port. The bonds carry an interest rate of 4.15% and mature March 15, 2012. During the year ending June 30, 2010 Obion County paid \$550,000 to retire its portion of the debt it guaranteed. The balance at June 30, 2011 was \$1,650,000.

During the year ending June 30, 2007 the Port Authority borrowed \$410,000 from the Gibson Electric Membership Corporation for economic development associated with the port. The loan is a non interest bearing loan to be repaid in ninety-six monthly installments of \$4,271 beginning April 5, 2009. The balance at June 30, 2011 was \$290,417.

During the year ending June 30, 2009 the Port Authority borrowed \$250,085 from First Citizens National Bank. The loan interest was at 3.75%. The balance was paid off during the year ending June 30, 2011.

The following is a summary of long-term debt transactions for the year ended June 30, 2011:

	Balance 6/30/10	Borrowings	Retirements	Balance 6/30/11
Revenue and tax notes	\$ 1,650,000	\$ -	\$ -	\$ 1,650,000
Notes payable	467,468		177,051	290,417
	<u>\$ 2,117,468</u>	<u>\$ -</u>	<u>\$ 177,051</u>	<u>\$ 1,940,417</u>

Principal and interest maturities for the next five years and thereafter are summarized as follows:

For Year(s) Ending June 30	Principle	Interest	Total
2012	\$ 1,701,250	\$ 68,475	\$ 1,769,725
2013	51,250		51,250
2014	51,250		51,250
2015	51,250		51,250
2016	51,250		51,250
2017-2021	34,167		34,167
	<u>\$ 1,940,417</u>	<u>\$ 68,475</u>	<u>\$ 2,008,892</u>

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2011

Note I - Fair Value of Financial Instruments

As discussed in the previous note, the Port Authority borrowed \$410,000 from Gibson Electric Membership Corporation with a no interest loan. The estimated fair value of the note based on an imputed interest rate of 4.15% is as follows:

	<u>June 30, 2011</u>	
	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
Long-term debt	<u>\$ 290,417</u>	<u>\$ 261,364</u>

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY  
SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE  
For the Year Ending June 30, 2011

<u>Grantor/Pass-Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>(Accrued) Deferred June 30, 2010</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>(Accrued) Deferred June 30, 2011</u>
<u>Federal Awards</u>						
US Department of Transportation	20.933	DTMA1G11004	\$ -	\$ 18,960	\$ 146,551	\$ (127,591)
<u>State Awards</u>						
State of Tennessee - Department of Finance and Administration	N/A	529/000-02-2011	\$ -	\$ 192,499	\$ 192,499	\$ -
				<u>\$ 192,499</u>	<u>\$ 192,499</u>	

See accompanying notes and accountant's report.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY  
SCHEDULE OF DEBT SERVICE REQUIREMENTS  
June 30, 2011

Port Authority Revenue and Tax Notes, Series 2007

<u>Due For Year Ending June 30</u>	<u>Principal Balance</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Payment</u>
2012	\$ 1,650,000	\$ 1,650,000	\$ 68,475	\$ 1,718,475
		<u>\$ 1,650,000</u>	<u>\$ 68,475</u>	<u>\$ 1,718,475</u>

See accompanying notes and accountant's report.



NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY  
SCHEDULE OF DEBT SERVICE REQUIREMENTS  
June 30, 2011

Note Payable - Gibson Electric Membership Corporation

<u>Due For Year</u> <u>Ending June 30</u>	<u>Principal</u> <u>Balance</u>	<u>Principal</u> <u>Payment</u>	<u>Interest</u> <u>Payment</u>	<u>Total</u> <u>Payment</u>
2012	\$ 290,417	\$ 51,250	\$ -	\$ 51,250
2013	239,167	51,250	-	51,250
2014	187,917	51,250	-	51,250
2015	136,667	51,250	-	51,250
2016	85,417	51,250	-	51,250
2017	34,167	34,167	-	34,167
		<u>\$ 290,417</u>	<u>\$ -</u>	<u>\$ 290,417</u>

See accompanying notes and accountant's report.

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CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
Northwest Tennessee Regional Port Authority

We have audited the accompanying financial statements of Northwest Tennessee Regional Port Authority (the Port Authority), as of and for the year ended June 30, 2011, and have issued our report thereon dated November 7, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the Schedule of Findings, Recommendations and Responses as Finding 2009-1 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

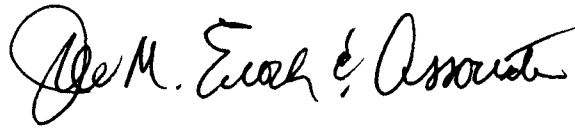
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Port Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings, recommendations and responses. We did not audit the Port Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Board of Commissioners and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Dyersburg, Tennessee  
November 7, 2011

A handwritten signature in black ink, appearing to read "Joe M. Enoch & Associates". The signature is written in a cursive, flowing style.

NORTHWEST TENNESSEE REGIONAL PORT AUTHORITY  
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES  
June 30, 2011

Segregation of Duties

Finding 2009-1

The Port Authority is in the initial planning and construction phase of this project. The books and records are being maintained by the Chairman of the Board and therefore segregation of duties is not in place.

Recommendation

We recommend that the Port Authority make efforts to improve internal control, including oversight and review by the Board of Commissioners to mitigate the lack of controls.

Management Response

Management believes that the cost of hiring the personnel necessary to adequately segregate the accounting functions would exceed the benefits derived. However, management will take the appropriate steps to improve the system of internal control whenever it is feasible.